



CURRENCY

Committee on Financial Services

Michael G. Oxley, Chairman

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Consumer and Taxpayer Groups Hail House Terrorism Risk Protection Act

An array of consumer and taxpayer organizations joined the diverse list of groups supporting the Terrorism Risk Protection Act introduced earlier this month by House Financial Services Committee Chairman Michael G. Oxley (OH) and Capital Markets Subcommittee Chairman Richard H. Baker (LA).

H.R. 3210, which was approved by the Financial Services Committee in a voice vote on Nov. 7, addresses the availability and affordability of terrorism insurance coverage in the wake of the Sept. 11 attacks while protecting taxpayers, policyholders and insurers.

In a letter to the Committee's Chairman and Ranking Member, representatives from the Consumer Federation of America, National Taxpayers Union, Consumers Union, Competitive Enterprise Institute, Citizens for a Sound Economy, Americans for Tax Reform and the Council for Citizens Against Government Waste wrote to commend the Committee for offering legislation that requires insurers to pay back any government funds used to cover terrorism losses.

A statement from Heritage Foundation Senior Policy Analyst David C. John calls features included in H.R. 3210 a responsible approach "that addresses the problem without distorting the market."

Several free-market groups wrote House Ways and Means Committee Chairman William M. Thomas (CA) in strong support of a provision in H.R. 3210 to repeal the tax penalty on insurance industry reserves used to cover terrorism claims.

"Effectively our tax laws have created a sales tax on risk premiums for catastrophe losses! This misguided tax also exacerbates the problems of availability and affordability

of insurance in catastrophe-prone areas,” wrote representatives from the National Taxpayers Union, Citizens for a Sound Economy, Americans for Tax Reform, Council for Citizens Against Government Waste and Competitive Enterprise Institute.

Americans for Tax Reform released a statement that read in part, “Foremost among the proposals is H.R. 3210, the Terrorism Risk Protection Act, offered by Rep. Michael Oxley and 30 cosponsors. This legislation is an excellent first step in the right direction. By providing insurers with a government-supported safety net to encourage them to offer coverage for acts of terrorism, yet not offering them a (nearly) blank check to cover their largest payouts at taxpayers’ expense, H.R. 3210 is a more taxpayer-friendly bill than many of the competing policy drafts circulating through D.C.

“Unlike several of the other reinsurance proposals, the Oxley, et. al. bill would require that those insurers receiving help repay the government (i.e. the taxpayers). Moreover, it’s not permanent: the arrangement would automatically sunset on January 1, 2003 – or January 1, 2005 if the appropriate administrator deems such an extension necessary. And (arguably) best of all, the legislation would obliterate the indefensible tax penalty against insurance companies holding reserves for man-made catastrophes.”

In a letter to the Committee, the Consumer Federation of America said H.R. 3210 has several advantages and is fair to consumers, insurers and taxpayers.

“The Consumer Federation of America strongly supports this approach because it guarantees that insurance coverage for terrorism will be available while protecting taxpayer and consumer interests,” wrote Director of Insurance J. Robert Hunter and Legislative Director Travis B. Plunkett.

Thomas A. Schatz, Council for Citizens Against Government Waste President, wrote to Speaker of the House J. Dennis Hastert (IL), “We think this is the best approach introduced so far that will address the real concern and challenge over commercial insurance when it comes to terrorism.”

An editorial appearing in the Nov. 12 edition of the Washington Times entitled “A terrorized insurance industry?” stated, “A bill passed by the House Financial Services Committee seems to make more sense. Under the House plan, the government would lend the insurance industry 90 percent of the money it needs to pay claims in 2002 if an attack generates industry-wide losses higher than \$1 billion, or if losses of \$100 million generate sufficient hardships on a particular company. But the government would not shoulder liability. The House plan is a reasonable one, since the insurance industry hasn't been victimized by September 11. Indeed, while the insurance industry's risk quotient has increased, so has its profit potential.”

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